"IMPACT OF WORKING CAPITAL MANAGEMENT ON PROFITABILITY: STUDY OF SELECTED PUBLIC, PRIVATE AND FOREIGN SECTOR BANKS IN INDIA"

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IMPACT OF WORKING CAPITAL MANAGEMENT ON PROFITABILITY: STUDY OF SELECTED PUBLIC, PRIVATE AND FOREIGN SECTOR BANKS IN INDIA

INTRODUCTION

Working Capital:

Working capital (abbreviated WC) is a financial metric which represents operating liquidity available to a business, organization, or other entity, including governmental entities. Along with fixed assets such as plant and equipment, working capital is considered a part of operating capital. Gross operating resources shall be equivalent to existing investments. A current asset below current liabilities, working capital is estimated. If the total assets are smaller than its liabilities, a business has a deficit in working capital, often defined as a working capital and a negative job capital (Lumen, 2018).

A business can have investments and revenues but may be less liquid if the assets cannot be translated to cash easily. Positive working capital is important to guarantee that an organisation will maintain its activities and has ample funding to support all

mature short-term debt and potential operating costs. Working capital control covers asset management, receivables and payables and cash management (Lumen, 2018).

Working capital, often referred to as net working capital (NWC), distinguishes from existing business assets such as currency, receivables (customer bills), raw- and finished-product inventory and current liabilities, such as accounts due. NWC is a calculation of the value of a business which corresponds to the discrepancy between existing and operative assets. These calculations are also similar and are drawn from cash plus receivables plus stock, less unpaid accounts and lower expenditures incurred (Fernando & Mansa, 2020).

WC is an indicator of the liquidity, operative performance and short-term financial stability of a business. If a business has significant positive WC, it should be able to spend and expand. If the established assets of an undertaking do not outweigh its current liabilities, it can have issues with the development, payment or even bankruptcy of creditors (Fernando & Mansa, 2020).

Present assets and existing liabilities are primarily the operating resources of a business. Present assets apply to assets, such as the debtors, and stock and prepayment costs that can be turned into cash in one year, which have been paid already. Present liabilities are the regular obligations accumulated through the service of a corporation. There may be transactions of credit from retailers (creditors) and unpaid costs (expenses that are yet to be paid) (Bajaj Finserv 2020).

Working capital defines the assets for everyday market transactions of small enterprises. The business needs adequate working capital to cover its estimated running costs. More specifically, as a business expands, additional operating capital is required. They will also benefit from emerging markets or short-term transactions (Waddle, 2019).

Working capital control thus relates to the controlling or liquidity of these two components of the business.

Four important components of Working Capital:

Working capital management relates to practises and strategies for managing all items of established assets and liabilities. Working capital management is in the ordinary

sense the role that requires productive and successful use of both current asset and debt components to reduce overall expense (Trisha, 2019).

(i) **Cash Management:** Cash is one of the main components of existing properties. The entire spectrum of operations of a business, from raw material procurement to the sale of finished products, must be carried out. Therefore, retaining a sufficient cash flow is important for the business. A financial manager's essential task is to match cash inflows and outflows in order to retain sufficient cash.

Meaning of Cash: The meaning of cash management is two-fold — cash and cash. Currency bills, coins, bank balances are exemplary ready-cash where near-cash examples are as marketable securities, treasury bills, etc. Currency control requires handling all ready and close cash.

Reasons for Holding Cash: The following three reasons John Maynard Keynes has identified are the following:

- **Transaction Motive:** This ensures that you have cash for regular expenses, such as sales, salaries, overhead costs and so on.
- **Precautionary Motive:** This applies for the production of cash to fulfil unpredictable cash needs, such as investing more cash on goods as oil prices increase.
- **Speculative Motive:** This means holding money for the benefit of favourable market conditions, such as the purchase of excess raw materials for a good discount.

(ii) **Receivables Management:** The word "compliance" applies to any financial demand due to the corporation by consumers through the daily selling of products or services. The term debt accounts are a debt by the sundry debtors of a company.

The overall number of accounts receivable would depend on the regulations on borrowing and debt repayment – all of which have a direct impact on the demands for job resources. The Expansive lending

programme raises the amount of revenue, but simultaneously increases the amount of expenditures in debts.

The below are the costs of holding the accounts receivable:

- **Capital cost:** There is a time gap between sale of goods and payment by debtors, when the company must organize funds to meet its obligations, such as payment for raw materials, salaries and so on. This extra funding involves certain costs, called cost of capital. Collection costs: collection costs are the administrative costs that the company incurred in collecting debtors' money.
- **Default Cost:** Default costs are the result of poor debt defaults
- **Delinquency Cost:** These charges are correlated with expanding the loan to consumers who struggle. These costs entail insurance penalties, increased collection operation costs, costs due to the issuing of notices, etc.

(iii) **Inventory Management:** A major part of the overall working capital is the inventory. Efficient inventory management results in shareholders' profit maximisation. Efficient inventory management includes the management of two contraires: on the one hand, minimising inventory investment and on the other hand, maintaining smooth raw material flows for manufacture and sales.

The task of a financial planner is therefore to calculate the amount of inventories that reconcile these divergent interests. Like currency, one business keeps an inventory of exchange, caution and speculation.

- **Inventory Costs:** Inventory costs are two types besides purchase costs: purchase costs and transportation costs.
- **Ordering Cost:** This covers variable costs in conjunction with material sourcing such as costs of transport, testing, etc. Such costs are also regarded as installation costs.
- **Carrying Costs:** These expenses involve the holding of stock costs including storage costs, interest on capital, etc.

(iv) **Accounts Payable Management:** Payables or creditors are an essential aspect of working capital. A further source of working capital finance is

the sums payable. The mgt of the payable is very close to the management of the cash. Effective payable management leads to a company's constant supply of materials and improves its reputation. The financial source, as suppliers seldom charge interest to the amount owed, is generally seen as a relative cheap one. However the loss of the cash discount on cash purchases will cost trading creditors.

Determinants of Working Capital

The labour capital needs of a business are influenced by various variables. Performance estimation of these variables allows managers to devise and accurately estimate sound working capital strategies. As the economic situation is constantly varying, the determination of the amount of current assets appropriate at one time is a highly volatile exercise until adequate preparation has been made for adjustments (Kumar,2020)[14].

While the effect of any of the variables that influence working capital cannot be quantified, its value can be understood. Gerstenberg states that the complexities in work-capital calculations are realized: "While a simple formula to assess working capital needs cannot be defined, we can reach some basic concepts. The magnitude of the working capital that is requested depends on a vast variety of variables and each factor is of its own value. In this sense, the extent of the operational capital that is necessary depends on a broad range of factors. The following considerations should be carefully considered to assess the right sum of working capital of a company:

- **Nature of Enterprise:** The conditions for working capital in a business are largely based on the existence of the company. Trading and banking companies, for example, need substantial expenditures in work resources, whereas expenditure in fixed assets is slightly lower. However, one would spend considerably on working capital and a regular sum on fixed assets in the case of a manufacturing firm. In comparison, the need for working capital for public corporations is very small, whereas a merchandising department which typically relies on invents and receivables needs large quantities of working capital. This defines the requirement for operating capital from the design of a corporation or company.

- **Size of Business:** The scale of the business is often a significant consideration in working capital needs. In line with its manufacturing operations, the business needs a smaller volume of working capital and vice versa.
- **Access to Money Market:** The Company's needs for working capital are based on the company's access to various money exchange outlets. So, with less working capital than without such services, a company with conveniently accessible bank and commercial credit facilities would be able to accomplish.
- **Expansion and Growth of Business:** It is clear that more working capital in terms of revenue or fixed assets would be required as company grows. There would be an all-round rise in spending in the case of development and extension. In other terms, the need of working capital would not only rise with growing raw material volume but also to fund inventory management and awarding consumers' credit for increasing fixed assets for increasing revenue.
- **Profit Margin and Dividend Policy:** The extent of working capital in a business depends on its policies on margin and dividend. A high profit margin actually decreases the company's needs for operating capital by adding to the working capital pool. Likewise, the allocation in the form of cash dividends of the high proportion of earnings results in cash sinks and decreases to that degree the job resources of the business. Where the firm holds a substantial share of net income, the company would improve its working capital position as it pursues constructive dividends strategy.
- **Depreciation Policy:** The strategy for depreciation impacts the amount of working capital by influencing the company's tax obligation and revenue. Since depreciation is a tax deductible item, this would impact the company's tax liabilities and profits retained and thereby enhance its role as working capital.
- **Operating Efficiency of Firm:** Management's operational efficiency is also a significant determinant of how much work capital management will contribute via operational efficiency to a sound working capital role operating productivity speeds up the cash loop and increases the turnover of operating resources.
- **Co-ordination Activities of Firm:** Furthermore a strong requirement for working capital stems from lack of cohesion in a company's manufacturing

and delivery policies when organised manufacturing and delivery operations, working capital burden is reduced.

- **Technological Development:** Technological advances will contribute to better raw materials management, waste control, higher efficiency and more output speed. All these adjustments can help the organisation to reduce inventory expenditure. While technical advances impact working capital needs. If the organisation chooses to simplify, the need for operating capital would be limited. If the business adopts a labor-intensive procedure, the work capital requirement would be increased.
- **Environment Factors:** Political stability is the result of monetary and trade stability, and most conditions are smooth. Pressure projects with elevated operating capital funding needs are likely. The provision of local highways, bridges, transport, storage and market services, etc., has also an impact on industries and working capital needs.
- **Taxation Policy:** Taxes are payable by earnings. In working capital preparation, tax responsibility is inevitable and should be properly accounted for. As tax obligation rises, job resources would be more burdened. In order to benefit from different tax concessions and rewards, the financial officer must schedule the taxes.
- **Seasonal Nature of the Business:** In some markets, owing to seasonal characteristics or development strategies, demand is subject to widespread variations. The demands for working capital of these sectors differ based on seasonal shifts. Nemmers and Grunewald have stated in this connection: "When a company has an option to sustain consistent productivity over the year, a higher average working capital would be needed for funding longer inventory holdings. Likewise, if a company is willing to concentrate production in only a few months prior to launch, the total working capital would be smaller."
- **Terms of Purchase and Sale:** The purchasing and selling conditions practised by the business often control the working capital ratio. If a business buys raw materials and other credit facilities and sells the finished products in currency, investing in current assets would be less significant. On the other side, it requires greater working capital to be a business which purchases raw

materials on cash bases but sells the finished goods on loans. The financing and debt collection productivity often impact the job capital of a business. The purchasing and selling conditions are normally regulated by prevailing trade policies and changing economic conditions.

- **Business Cycles:** Business cycles relate to the alternative development and contraction of business operations in general. In a boom in the prosperity of the company, increased profits and price rises of raw materials warrant a huge volume of working capital. The rise in company units is triggered by inflation increases need for more job capital. In the opposite, company arrangements, profits fall and a substantial portion of working resources are trapped in periods of downturn when the stocks stay unpurchased and the book debts are exposed. In certain situations, labour resource constraints arise and the business wants additional working capital.
- **Working Capital Turnover:** It implies how easily the workforce circulates throughout the business. The turnover rate is determined by the sales-to-actual asset ratio. The faster the revenue, the bigger the churn, the less work capital is needed and vice versa.
- **Production Policy:** In certain sectors, there are large variations in demand owing to seasonal shifts. In such situations, the needs of working capital depend on the strategy of development. Output would either be held constant in sluggish times in order to accommodate high demand in the highest season or production may be shortened during the slack season and boosted during the high season. If demand is to stay constant by the accumulation of stocks, greater working capital would be required.
- **Working Capital Cycle:** The working capital loop of an automobile sector starts with the selling of raw materials and concludes with cash from the sales of finished products. The cycle consists of the procurement of raw materials and shops, the conversion into stocks of finished products through evolution of gradual rises in labour and service expense, the conversion of finished stocks to revenue, debtors and debt and eventually the realization of cash. The rate at which operational capital joins a period determines the conditions for working capital; the longer the cycle duration, the greater the need for operating capital.

- **Price Level Changes:** Price level adjustments often impact the needs for working capital. In total, growing costs would force the organisation to retain more operating capital while more funds are needed to hold internal assets alike. For various businesses, the impact of rising costs may be different. Any businesses will be significantly impacted but others may not be influenced by the price increase at all.
- **Market Conditions:** The need for working capital often relies on the requirements of the sector. With high levels of rivalry existing in the industry, consumers are not likely to wait for the goods and the business must retain greater inventories. This includes greater criteria for working capital. If the consumer demand for the commodity is strong and there is poor competition, the company can handle the finished products with a lower inventory, since consumers will anticipate the product while it is not on the market. A business will then manage with low stocks and needs limited operating assets.
- **Conditions of Supply:** The amount of working capital is often dictated by the supply of raw materials and spares. If raw materials and spares are readily accessible, an organisation can retain a minimal inventory and consume less operating resources. If the raw material availability is volatile, stocks must be purchased by the business to maintain a steady output. The business thus has to hold a higher average inventory and needs additional working capital.
- **Cash Requirements:** For a good activity of the output period, cash is one of the current assets. Cash should be correctly used and sufficient. Excessive cash will be losing. In order to keep the activities running, minimum cash is often required. There is also a need for a strong credit partnership for sufficient cash. "Cash has universal liquidity and acceptance," said Richards Osborn. Its worth is transparent and definitive contrary to liquid assets."
- **Volume of Sales:** This is the largest element in working capital size and materials. A organisation retains its existing assets when they are required to sustain operations contributing to revenues. The revenue level and the scale of the working capital are closely associated. With the number of revenue growing, job capital spending, running expenses, inventory and claims are raising.

- **Inventory Turnover:** The need for operational resources would be poor if the inventory turnover is high. A organisation will minimise its working capital needs by improved inventory management. In order to do that it can decide the minimum stock volume that it wants to retain throughout its operations.
- **Receivables Turnover:** Successful monitoring of claims is expected. An early selection of claims and successful payment facility contributes to low requirements for working capital.
- **Attitude of Risk:** The higher the job resources, the lower the liquidity risk.
- **Demand of Industry:** Loans are of concern to borrowers. You deserve to provide adequate coverage of your commitments. You like the sum of coverage on more than liability properties.
- **Value of Current Assets:** The size of working capital falls through the loss of actual valuation of liquid assets proportional to their book value. When the actual valuation of established assets rises, working capital increases.
- **Credit Control:** The control of credit includes factors such as credit sales volume, credit sales terms, collection policy, etc. A company will boost its cash inflow with a good credit management strategy.
- **Liquidity and Profitability:** When a business wants to risk larger income or losses, its operating capital in comparison to revenue is limited. It raises the volume of its working capital as it is involved in improving its liquidity. This strategy could therefore, contribute to a decline in the number of revenue and therefore to profitability. And so a company can settle on its working capital needs accordingly between liquidity and profitability.
- **Repayment Ability:** A business has the right to refund its operating capital. An organisation normally prepares cash flow forecasts on the basis of payment arrangements and consequently fixes the amount of job resources.
- **Cash Reserve:** A business will have to hold some capital savings so that it may satisfy contingent payments. This will have a shield for abrupt cash flow deficits.
- **Activities of the Firm:** A business that maintains heavy inventories or offers basic loan terms demands greater operating capital than the selling of commodities or cash transactions.

- **Availability of Credit:** If a business has liberal credit facilities, the demand for operating capital would be minimised. Similarly, banks' access to credit often affects the company's requirements for working capital. An company which has banking loans will secure funds very quickly, where required, to finance its working capital requirement. It also has less working capital than a corporation lacking certain credit facilities to conduct its commercial operations.
- **Other factors:** Apart from this the needs of working capital are often influenced by a variety of other considerations. Some are: strong cooperation between development and distribution policies, lack of expertise in product manufacturing, transport and communication tools, hazards and contingencies inherent in a certain form of industry, RBI loan policies, inventory policies, management and wages attitudes; government policies, and so on.

Objectives:-

- A short description of the Indian banking reforms that started after 1991.
- Determine the overall banking sector situation in India.
- Researching banking sector development and success in India.
- To evaluate the reforms initiated by the government in the banking sector.
- To analyse the competition level among banks both public and private.
- To analyse link between regulations and competition among banks.
- The research's main goal is to study and examine the connection between working capital and profitability.
- To study how appraisal or working capital loans takes place at CAD , how MPBF is calculated , what all factors considered by public, private and foreign sectors banks while granting loans , guidelines of RBI and other committees in this regard .
- To analyse how working capital is important and significant and affect the profitability of different banks.

Dr.Khatik S. K. and Jain Rashmi (2009) say the management of labour resources is one of the most important and vital assets of the company for its regular operations. Working capital can be used as instruments to fund business activities on a daily basis. What is the most significant and critical component of the handling of corporate assets. The author assessed the status of the work capital of MPSEB (Madhya Pradesh state electricity board) by means of a ratio analysis method, noting that existing ratios, quick amounts, acid test ratios, operating capital ratios and sales ratios did not meet normal requirements the authors had evaluated.

Arunkumar O. N. and Jayakumar S. (2010) explain how working capital is used as the corporation's critical blood and nerve centre strength. Two significant facets of working capital regulation are sustainability and solvency. Finally, with respect to businesses, the writers made some significant points. Both firms are exhibiting a very poor solvency trend. The company's liquidity status is below average. For the duration specified, KEL has a lower net profit margin relative to TELK. Compared to KEL, TELK is extremely vulnerable to shifts in the current asset level.

Rahman Mohammad M. (2011) co-relation of working capital and profitability is based. Efficient utilization of job resources has a positive effect on businesses' performance. The study indicates that profitability and the role of operating capital management in the textile industry are up to date.

Singh D. P. (2012) Present the alliance for operating resources and profitability management in India between IT and the telecommunications industry. The thesis' aim is to examine the link between working capital and profitability components. The study indicates that the telecommunications industry is less than average in terms of working capital management. Profitability was 40% on average in comparison with India as a whole. In IT and telecommunications sector, the operating capital turnover and the current ratio, sales to overall assets have a good relation to earnings. However, inventory days were linked to profitability adversely.

Turan M. S., Bamal Sucheta, Vashist Babita and Turan Nidhi (2013) Try to investigate the partnership between management of working resources and profitability by contrasting between two manufacturing sectors, i.e. Pharmaceutical

and chemical sectors. For analysis coverage from 2002 to 2011 50 firms were chosen from each market capitalisation segment and classified on BSE and 500 indices. The study concluded that while both industrial sectors have a common nature, job capital management variables are more influential. There was also a noticeable link between profitability and working capital management variables in both sectors. Moreover, working capital accounting factors have larger impacts than those of the pharmaceutical sector on the profitability indexes of the chemical industry.

The summary discusses the sampling methods, sample size selection, methods of data collection, data analysis tools and techniques adopted to fulfill the objectives of the study. The detailed description of same is presented in following sections.

Research Design

Primary data was obtained from Banks in India. Here the comparative research design will be used as the relation between working capital management and profitability will be analyzed for different banks. The designated bankers in the study region were invited to get information through questionnaire. Demographics, working capital efficiency, the activity of banking institutions, profitability etc. are the aspects covered by the questionnaire. The secondary information has been collected in the publication of the Banks Financial Statements, RBI, and the other published sources.

Research Method

In this research project the type of research to be used is exploratory cum descriptive in nature.

- **Exploratory research** method has been selected as "research design" for this study. Exploratory analysis is an investigation in an effort to obtain more insight into a topic. For this thesis a researcher uses a basic definition and review as a way of identifying issues that can be centered on "Impact of Working Capital Management on Profitability: Study of Selected Public, Private and Foreign sector Banks in India"
- **"Descriptive research"** is described as a "research method" that explains the individuality of the "population or phenomenon" that is being studied. This approach relies more on "what the subject of the study is, rather than whatever the subject of the research is." In other words, descriptive analysis focuses mainly on explaining the essence of a population group while reflecting on "why" a particular event takes place. "It explains the research subject, in other words, without covering why it occurs."

Data collection sources

As the topic is of a recent origin, both primary and secondary data is essential to make effective evaluation of performance of Banking Institutions.

a. "Primary Data"

To make primary investigation, a list of banks (Private, Public and Foreign) is selected as a study area for field survey. Based on the previous studies, literature survey and reports of various agenesis, the questionnaire was prepared for the collection of data. In the present study, working capital and profitability are main target areas.

Public sector banks------

SBI

Punjab National Bank

Canara Bank

IDBI

Private sector banks--------

ICICI

HDFC

Axis Bank

Kotak Mahindra Bank

Foreign sector banks----------

HSBC

A "questionnaire" is the most general method of data collection. The procedure may seem very easy because after having a "sample or a focus group, we simply ask the questions and record the answers". The hard part is discovery the "perfect group and questions". To ask questions, "we can use our survey, which can be completed online

or in a personal format. Another way of asking questions is through interviews". The main benefit of this data collection method is that we can obtain plenty of data.

b. "Secondary Data"

Secondary level data from different sources like Financial Statements of Banks, RBI Published Data and guidelines, journals to make analysis, and conclude.

Sample Selection

In the analysis, there are two stages, the selection of banks, which is used for collecting data. Secondly, potential bankers were pickled. The scale is just 295. We surveyed 295 as banking professionals. The sampling approaches used here are sampling, calculating and ease sampling.

Sampling Technique

A Likert scale of questionnaires is a widely employed psychometric scale. It is the most commonly employed parameter in the survey study, such that the term is sometimes used interchangeably with the ranking scale even though these are not equivalent. The response to the Likert questionnaire request indicates their approval of the argument. The scale is named after the psychologist Rensis Likert, the inventor.

Hypothesis 1:

Ho: There is no significant impact of the determinants of working capital on profitability of public sector banks.

Ha: There is a significant impact of the determinants of working capital on profitability of public sector banks.

Hypothesis 2:

Ho: There is no significant impact of working capital management on profitability of public sector banks.

Ha: There is a significant impact of working capital management on profitability of public sector banks.

Hypothesis 3:

Ho: There is no significant impact of the determinants of working capital on profitability of private sector banks.

Ha: There is a significant impact of the determinants of working capital on profitability of private sector banks.

Hypothesis 4:

Ho: There is no significant impact of working capital management on profitability of private sector banks.

Ha: There is a significant impact of working capital management on profitability of private sector banks.

Hypothesis 5:

Ho: There is no significant impact of the determinants of working capital on profitability of foreign sector banks.

Ha: There is a significant impact of the determinants of working capital on profitability of foreign sector banks.

Hypothesis 6:

Ho: There is no significant impact of working capital management on profitability of foreign sector banks.

Ha: There is a significant impact of working capital management on profitability of foreign sector banks.

RESULTS & DISCUSSION

Findings

The study presented the following significant research findings:

Findings on the basis of Private Bank

- Out of 100 respondents of gender there are 62% male respondents while the percentages of female respondents are 38%.
- Out of 100 respondents of there are 30% respondents belongs to below 25-30 years group, 16% respondents belongs to 31-35 years group, 23% respondents belongs to 36-40 years, 11% respondents belongs to 41-45 years and 20% respondents belongs to above 45 years.
- Out of 100 respondents of there are 28% respondents are under graduate, 50% respondents are Graduate, 7% respondents are Post Graduate and 15% respondents are Others.
- Out of 100 respondents of there are 13% respondents are 0-2 years, 4% respondents are 2-4 Years, 18% respondents are 4-6 Years, 38% respondents are 6-8 Years and 27% respondents are Above 8 Years working in their preferred bank.
- Out of 100 respondents of there are 34% respondents said high rate levels of working capital management, 52% respondents said average rate level of working capital management and 14% respondents said low rate level of level of working capital management that impact on profitability.
- Out of 100 respondents of there are 15% respondents are strongly disagree, 19% respondents are disagree, 11% respondents are neutral, 19% respondents are agree, and 36% respondents are strongly agree with the size of the bank determinants.
- Out of 100 respondents of there are 14% respondents are strongly disagree, 14% respondents are disagree, 20% respondents are neutral, 28% respondents are agree, and 24% respondents are strongly agree with the reserves determinants.
- Out of 100 respondents of there are 15% respondents are strongly disagree, 16% respondents are disagree, 31% respondents are agree, and 38% respondents are strongly agree with the Outstanding Expenditure.

- Out of 100 respondents of there are 13% respondents are strongly disagree, 1% respondents are disagree, 17% respondents are neutral, 50% respondents are agree, and 19% respondents are strongly agree with the return on assets determinants.
- Out of 100 respondents of there are 16% respondents are strongly disagree, 10% respondents are disagree, 10% respondents are neutral, 20% respondents are agree, and 44% respondents are strongly agree with the customer deposits determinants.
- Out of 100 respondents of there are 10% respondents are strongly disagree, 5% respondents are disagree, 6% respondents are neutral, 19% respondents are agree, and 60% respondents are strongly agree with the competition determinants.
- Out of 100 respondents of there are 10% respondents are strongly disagree, 5% respondents are disagree, 6% respondents are neutral, 19% respondents are agree, and 60% respondents are strongly agree with the statement of Less cash tied up in Inventory.
- Out of 100 respondents of there are 19% respondents are strongly disagree, 15% respondents are disagree, 13% respondents are neutral, 27% respondents are agree, and 26% respondents are strongly agree with the statement of Inventories keep high by reducing ordering costslead to more profit.
- Out of 100 respondents of there are 18% respondents are strongly disagree, 17% respondents are disagree, 18% respondents are neutral, 23% respondents are agree, and 24% respondents are strongly agree with the statement of Inventories keep low by lowering storage costs lead to more profit.
- Out of 100 respondents of there are 16% respondents are strongly disagree, 17% respondents are disagree, 21% respondents are neutral, 21% respondents are agree, and 25% respondents are strongly agree with the statement of Keeping inventories high for Bulk purchase discount for profit.
- Out of 100 respondents of there are 17% respondents are strongly disagree, 12% respondents are disagree, 9% respondents are neutral, 37% respondents are agree, and 25% respondents are strongly agree with the statement of Reducing costs of credit control to manage the working capital.
- Out of 100 respondents of there are 13% respondents are strongly disagree, 17% respondents are disagree, 17% respondents are neutral, 25% respondents

are agree, and 28% respondents are strongly agree with the statement of Keep receivables low so that there will be less chance of irrecoverable debts.

- Out of 100 respondents of there are 17% respondents are strongly disagree, 22% respondents are disagree, 13% respondents are neutral, 29% respondents are agree, and 19% respondents are strongly agree with the statement of Receivables are more as Customers like credit so it is more profitable because attracts more sales.
- Out of 100 respondents of there are 11% respondents are strongly disagree, 18% respondents are disagree, 21% respondents are neutral, 18% respondents are agree, and 32% respondents are strongly agree with the statement of Less cash tied up by keeping receivables low.
- Out of 100 respondents of there are 13% respondents are strongly disagree, 13% respondents are disagree, 6% respondents are neutral, 39% respondents are agree, and 29% respondents are strongly agree with the statement of Can invest surplus to earn higher returns.
- Out of 100 respondents of there are 17% respondents are strongly disagree, 19% respondents are disagree, 22% respondents are neutral, 15% respondents are agree, and 27% respondents are strongly agree with the statement of Less vulnerable to takeover.
- Out of 100 respondents of there are 21% respondents are strongly disagree, 19% respondents are disagree, 16% respondents are neutral, 17% respondents are agree, and 27% respondents are strongly agree with the statement of Avoid high borrowing costs.
- Out of 100 respondents of there are 12% respondents are strongly disagree, 20% respondents are disagree, 13% respondents are neutral, 17% respondents are agree, and 38% respondents are strongly agree with the statement of Take advantage of unexpected opportunities.
- Out of 100 respondents of there are 14% respondents are strongly disagree, 11% respondents are disagree, 11% respondents are neutral, 29% respondents are agree, and 35% respondents are strongly agree with the statement of Move favorable supplier treatment.
- Out of 100 respondents of there are 16% respondents are strongly disagree, 13% respondents are disagree, 12% respondents are neutral, 14% respondents

are agree, and 45% respondents are strongly agree with the statement of Retain good credit status.

- Out of 100 respondents of there are 14% respondents are strongly disagree, 5% respondents are disagree, 13% respondents are neutral, 43% respondents are agree, and 23% respondents are strongly agree with the statement of Take advantage of prompt payment.
- Out of 100 respondents of there are 14% respondents are strongly disagree, 16% respondents are disagree, 30% respondents are agree, and 40% respondents are strongly agree with the statement of Preserve own cash.

Findings on the basis of Public Bank

- Out of 120 respondents of gender there are 66% male respondents while the percentages of female respondents are 34%.Out of 120 respondents of there are
- Out of 120 respondents of there are 25% respondents belongs to below 25-30 years group, 13% respondents belongs to 31-35 years group, 32% respondents belongs to 36-40 years, 12% respondents belongs to 41-45 years and 18% respondents belongs to above 45 years.
- Out of 120 respondents of there are 24% respondents are under graduate, 57% respondents are Graduate, 6% respondents are Post Graduate and 13% respondents are Others.
- Out of 120 respondents of there are 13% respondents are 0-2 years, 3% respondents are 2-4 Years, 15% respondents are 4-6 Years, 36% respondents are 6-8 Years and 33% respondents are Above 8 Years working in their preferred bank.
- Out of 120 respondents of there are 44% respondents said high rate levels of working capital management, 18% respondents said average rate level of working capital management and 38% respondents said low rate level of level of working capital management that impact on profitability.
- Out of 120 respondents of there are 12% respondents are strongly disagree, 18% respondents are disagree, 12% respondents are neutral, 20% respondents are agree, and 37% respondents are strongly agree with the size of the bank determinants.

- Out of 120 respondents of there are 13% respondents are strongly disagree, 12% respondents are disagree, 20% respondents are neutral, 30% respondents are agree, and 25% respondents are strongly agree with the reserves determinants.
- Out of 120 respondents of there are 15% respondents are strongly disagree, 17% respondents are disagree, 32% respondents are agree, and 37% respondents are strongly agree with the Outstanding Expenditure.
- Out of 120 respondents of there are 12% respondents are strongly disagree, .8% respondents are disagree, 21% respondents are neutral, 45% respondents are agree, and 21% respondents are strongly agree with the return on assets determinants.
- Out of 120 respondents of there are 13% respondents are strongly disagree, 8% respondents are disagree, 8% respondents are neutral, 24% respondents are agree, and 46% respondents are strongly agree with the customer deposits determinants.
- Out of 120 respondents of there are 9% respondents are strongly disagree, 6% respondents are disagree, 5% respondents are neutral, 16% respondents are agree, and 64% respondents are strongly agree with the competition determinants.
- Out of 120 respondents of there are 18% respondents are strongly disagree, 3% respondents are disagree, 8% respondents are neutral, 42% respondents are agree, and 56% respondents are strongly agree with the statement of Less cash tied up in Inventory.
- Out of 120 respondents of there are 18% respondents are strongly disagree, 12% respondents are disagree, 12% respondents are neutral, 25% respondents are agree, and 32% respondents are strongly agree with the statement of Inventories keep high by reducing ordering costslead to more profit.
- Out of 120 respondents of there are 19% respondents are strongly disagree, 14% respondents are disagree, 20% respondents are neutral, 24% respondents are agree, and 22% respondents are strongly agree with the statement of Inventories keep low by lowering storage costs lead to more profit.
- Out of 120 respondents of there are 13% respondents are strongly disagree, 18% respondents are disagree, 28% respondents are neutral, 17% respondents

are agree, and 22% respondents are strongly agree with the statement of Keeping inventories high for Bulk purchase discount for profit.

- Out of 120 respondents of there are 15% respondents are strongly disagree, 12% respondents are disagree, 13% respondents are neutral, 34% respondents are agree, and 26% respondents are strongly agree with the statement of Reducing costs of credit control to manage the working capital.
- Out of 120 respondents of there are 9% respondents are strongly disagree, 18% respondents are disagree, 24% respondents are neutral, 20% respondents are agree, and 26% respondents are strongly agree with the statement of Keep receivables low so that there will be less chance of irrecoverable debts.
- Out of 120 respondents of there are 14% respondents are strongly disagree, 15% respondents are disagree, 15% respondents are neutral, 27% respondents are agree, and 29% respondents are strongly agree with the statement of Less cash tied up by keeping receivables low.
- Out of 120 respondents of there are 9% respondents are strongly disagree, 17% respondents are disagree, 23% respondents are neutral, 19% respondents are agree, and 31% respondents are strongly agree with the statement of Can invest surplus to earn higher returns.
- Out of 120 respondents of there are 15% respondents are strongly disagree, 10% respondents are disagree, 17% respondents are neutral, 34% respondents are agree, and 24% respondents are strongly agree with the statement of Can invest surplus to earn higher returns.
- Out of 120 respondents of there are 17% respondents are strongly disagree, 15% respondents are disagree, 30% respondents are neutral, 16% respondents are agree, and 22% respondents are strongly agree with the statement of Less vulnerable to takeover.
- Out of 120 respondents of there are 19% respondents are strongly disagree, 14% respondents are disagree, 16% respondents are neutral, 27% respondents are agree, and 23% respondents are strongly agree with the statement of Avoid high borrowing costs.
- Out of 120 respondents of there are 10% respondents are strongly disagree, 19% respondents are disagree, 15% respondents are neutral, 20% respondents are agree, and 36% respondents are strongly agree with the statement of Take advantage of unexpected opportunities.

- Out of 120 respondents of there are 13% respondents are strongly disagree, 11% respondents are disagree, 5% respondents are neutral, 31% respondents are agree, and 40% respondents are strongly agree with the statement of Move favorable supplier treatment.
- Out of 120 respondents of there are 11% respondents are strongly disagree,7% respondents are disagree, 12% respondents are neutral, 12% respondents are agree, and 57% respondents are strongly agree with the statement of Retain good credit status.
- Out of 120 respondents of there are 13% respondents are strongly disagree, 4% respondents are disagree, 18% respondents are neutral, 39% respondents are agree, and 26% respondents are strongly agree with the statement of Take advantage of prompt payment.
- Out of 120 respondents of there are 15% respondents are strongly disagree, 17% respondents are disagree, 0% respondents are neutral, 32% respondents are agree, and 37% respondents are strongly agree with the statement of Preserve own cash.

Findings on the basis of Foregin Bank

- Out of 75 respondents of gender there are 43% male respondents while the percentages of female respondents are 57%.
- Out of 75 respondents of there are 9% respondents belongs to below 25-30 years group, 19% respondents belongs to 31-35 years group, 31% respondents belongs to 36-40 years, 14% respondents belongs to 41-45 years and 27% respondents belongs to above 45 years.
- Out of 75 respondents of there are 32% respondents are under graduate, 65% respondents are Graduate, 1% respondents are Post Graduate and 1% respondents are Others.
- Out of 75 respondents of there are 13% respondents are 0-2 years, 4% respondents are 2-4 Years, 23% respondents are 4-6 Years, 33% respondents are 6-8 Years and 27% respondents are Above 8 Years working in their preferred bank.
- Out of 75 respondents of there are 47% respondents said high rate levels of working capital management, 21% respondents said average rate level of

working capital management and 32% respondents said low rate level of level of working capital management that impact on profitability.

- Out of 75 respondents of there are 12% respondents are strongly disagree, 21% respondents are disagree, 12% respondents are neutral, 19% respondents are agree, and 36% respondents are strongly agree with the size of the bank determinants.
- Out of 75 respondents of there are 13% respondents are strongly disagree, 19% respondents are disagree, 16% respondents are neutral, 27% respondents are agree, and 25% respondents are strongly agree with the reserves determinants.
- Out of 75 respondents of there are 16% respondents are strongly disagree, 21% respondents are disagree, 28% respondents are agree, and 35% respondents are strongly agree with the Outstanding Expenditure.
- Out of 75 respondents of there are 13% respondents are strongly disagree, 1% respondents are disagree, 23% respondents are neutral, 44% respondents are agree, and 18% respondents are strongly agree with the return on assets determinants.
- Out of 75 respondents of there are 13% respondents are strongly disagree, 13% respondents are disagree, 12% respondents are neutral, 21% respondents are agree, and 40% respondents are strongly agree with the customer deposits determinants.
- Out of 75 respondents of there are 9% respondents are strongly disagree, 7% respondents are disagree, 8% respondents are neutral, 15% respondents are agree, and 61% respondents are strongly agree with the competition determinants.
- Out of 75 respondents of there are 17% respondents are strongly disagree, 9% respondents are disagree, 8% respondents are neutral, 20% respondents are agree, and 45% respondents are strongly agree with the statement of Less cash tied up in Inventory.
- Out of 75 respondents of there are 19% respondents are strongly disagree, 13% respondents are disagree, 4% respondents are neutral, 29% respondents are agree, and 35% respondents are strongly agree with the statement of Inventories keep high by reducing ordering costslead to more profit.

- Out of 75 respondents of there are 19% respondents are strongly disagree, 15% respondents are disagree, 19% respondents are neutral, 24% respondents are agree, and 24% respondents are strongly agree with the statement of Inventories keep low by lowering storage costs lead to more profit.
- Out of 75 respondents of there are 13% respondents are strongly disagree, 19% respondents are disagree, 25% respondents are neutral, 19% respondents are agree, and 24% respondents are strongly agree with the statement of Keeping inventories high for Bulk purchase discount for profit.
- Out of 75 respondents of there are 17% respondents are strongly disagree, 13% respondents are disagree, 11% respondents are neutral, 32% respondents are agree, and 27% respondents are strongly agree with the statement of Reducing costs of credit control to manage the working capital.
- Out of 75 respondents of there are 7% respondents are strongly disagree, 17% respondents are disagree, 24% respondents are neutral, 23% respondents are agree, and 29% respondents are strongly agree with the statement of Keep receivables low so that there will be less chance of irrecoverable debts.
- Out of 75 respondents of there are 16% respondents are strongly disagree, 15% respondents are disagree, 17% respondents are neutral, 24% respondents are agree, and 28% respondents are strongly agree with the statement of Less cash tied up by keeping receivables low.
- Out of 75 respondents of there are 11% respondents are strongly disagree, 13% respondents are disagree, 17% respondents are neutral, 20% respondents are agree, and 39% respondents are strongly agree with the statement of Can invest surplus to earn higher returns.
- Out of 75 respondents of there are 11% respondents are strongly disagree, 11% respondents are disagree, 28% respondents are neutral, 25% respondents are agree, and 32% respondents are strongly agree with the statement of Can invest surplus to earn higher returns.
- Out of 75 respondents of there are 15% respondents are strongly disagree, 19% respondents are disagree, 24% respondents are neutral, 17% respondents are agree, and 25% respondents are strongly agree with the statement of Less vulnerable to takeover.
- Out of 75 respondents of there are 19% respondents are strongly disagree, 12% respondents are disagree, 20% respondents are neutral, 31% respondents

are agree, and 19% respondents are strongly agree with the statement of Avoid high borrowing costs.

- Out of 75 respondents of there are 8% respondents are strongly disagree, 16% respondents are disagree, 19% respondents are neutral, 17% respondents are agree, and 40% respondents are strongly agree with the statement of Take advantage of unexpected opportunities.
- Out of 75 respondents of there are 12% respondents are strongly disagree, 7% respondents are disagree, 7% respondents are neutral, 28% respondents are agree, and 47% respondents are strongly agree with the statement of Move favorable supplier treatment.
- Out of 75 respondents of there are 17% respondents are strongly disagree, 9% respondents are disagree, 13% respondents are neutral, 11% respondents are agree, and 49% respondents are strongly agree with the statement of Retain good credit status.
- Out of 75 respondents of there are 11% respondents are strongly disagree, 1% respondents are disagree, 25% respondents are neutral, 28% respondents are agree, and 35% respondents are strongly agree with the statement of Take advantage of prompt payment.
- Out of 75 respondents of there are 20% respondents are strongly disagree, 12% respondents are disagree, 11% respondents are neutral, 15% respondents are agree, and 43% respondents are strongly agree with the statement of Preserve own cash.

Conclusion

The work capital management analysis aims to analyse the working capital system in such a manner that inventory management efficiency is measured, credit intervals analysed, the usage of cash, payments obtained before and after due dates are regularly reviewed, inventory levels often planned, and inventory levels assessed, payments updated.

After 1991 there has been a drastic shift in the Indian financial sector. Reforms also modified the hierarchical framework, pattern of ownership and domain of the banking financial and NBFC activities. The major thrust of financial-sector reforms was the development of effective and healthy financial institutions and markets. Bank and non-bank changes were aimed at establishing a deregulated climate, improving

prudential requirements and the monitoring mechanism, shifting ownership trends and rising competitiveness.

The Committee on Financial System was set up in 1991 to propose that the required financial sector changes be enforced. The Committee on Financial System (CFS), known as the Narasimhan Committee, was established in 1991. This research would investigate the impact on the viability of different banks of working capital management. This is the RBI preview for these banks. They have numerous strategies to sanction inadequate management of working capital loans that can damage profitability in business.

If a corporation requires an effective use of its short-term investments, it may earn suboptimal returns on these assets and therefore under-optimal earnings if a business struggles to handle its short-term liabilities properly, it could be responsible for any liability that may have a long-term effect on its results and cannot satisfy its obligations as necessary. Like working capital has a number of significance, businesses utilise it in several respects. The most significant application of working capital is thus to guarantee that a business manages to grow in short-term investments.

Working capital means expenditure in established assets needed to conduct business activities. Working capital plays an important function and involves effective control of the organization's activities. Working resource administration concerns money management, stocks, accounts payable and accounts payable. An company must adequately control its working resources to sustain its equilibrium at an acceptable stage. A shortage of working capital, along with loss of output & revenue, will contribute to a lack of liquidity. This study concludes that it is not just for all the others to ensure the preservation of productive working resources, but also for the telecommunications field.

The study indicates that profitability and control of working capital are directly related. ROA is negatively linked with ACP, CPI, CCC and the existing ratio, as seen in the association studies. ROA also has a positive APP, firm size and debt ratio partnership. The negative CCC-ROA association shows that higher CCC limits profitability and backwards. The positive ROA-Debt relationship suggests the businesses that have a higher ROA degree or are rentable thanks to tax shields. The positive Debt Relationship In order to validate the substantial profitability effect,

regression analysis was used. It is evident from the result that ROA has a positive connection to 23 ACP, APP, CCC, and debt, as well as a negative link to the ICP ratio.

The results demonstrate the strong negative association between the operating capital management components and the profitability ratios of Indian firms, which indicates that with the increasing time of cash transfer, profitability of the business appears to be decreasing and management can increase the shareholders by minimising the conversion duration to a minimum. The size and the efficiency of the business, therefore are positively connected to ensure that the scale of the company increases profitability regularly.

Lastly, there is a negative association between debt and profitability of Indian companies. The results of this study show that managers can increase their sales by growing debtors and inventory time to improve the payable word.

This literature gap is filled by extending the literature on the profitability impact of working capital management on the banking sector; several banks have been selected as we have, and key findings suggest that the successful management of working capital has a positive influence on banks' efficiency. The analysis shows the positive effect on bank profitability both of customer deposits, bank size, unpaid expenses and asset rendering, and of statistically significant significance as the credit has a favourable yet statistically marginal influence on bank performance. In the other side, the results of deposits on bank profitability are negative. However other considerations such as debt and for example short-term financial assets impair profitability.

According to independent sample t-test and correlation test, tables we found that p value showed the significant results and null hypothesis are rejected for the study.

Recommendations

The following suggestions should be focused on the findings received, namely;

- Banks can strengthen their marketing campaigns in order to raise revenue and produce incremental bank profit. Provided that the bank's loans are a big asset,

we suggest that the bank lift its stringent action by offering loans to recover a greater proportion of its loans.

- Banks can leverage their working capitals efficiently to improve profitability by incorporating appropriate preparation and checks to help them track their day-to-day activities and thereby optimise shareholder wealth.
- We would also encourage them to spend further only in sales to raise revenue and their reserves. They can face any challenge or crisis effectively with these high reserves.

Area for Further Research

However some financial entities and people in higher roles may find this study pertinent or more applicable to the report. The research was restricted to data obtained from certain persons from chosen banks. As the analysis tested banks only the findings should be comparable with other non-financial entities to convey a general view on Banking.

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